GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4367
ANSWERED ON:19.04.2002
FDI RULES
CHANDRA NATH SINGH;SUKDEO PASWAN

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have simplified the FDI rules;

(b) if so, the details thereof and the reaction of the RBI thereon;

(c) whether RBI finds it difficult to control the foreign exchange value of rupee as a result of this decision; and

(d) if so, the details thereof and the reasons therefor?

Answer

Minister of State in the Ministry of Finance (Balasaheb Vikhe Patil)

(a) & (b): With a view to attracting more FDI, Government has already put in place a liberal, transparent and investor-friendly FDI policy; thereby placing most of the activities under the automatic route for FDI up to 100%, except for a small list. Under this procedure foreign investors can make inward remittance of funds and receive share certificates without prior approval of RBI subject to notifying RBI about remittance of funds and export of share certificates within 30 days of such transaction.

(c) & (d): The day-to-day movements in exchange rates are market determined. The market is made up of end-users, such as, exporters, importers, FII, FDI and variety of other participants.The market movement is determined collectively by these flows. The primary objective of the Reserve Bank in regard to the management of the exchange rate continues to be the maintenance of orderly conditions in the foreign exchange market, meeting temporary supply-demand gaps, which may arise due to uncertainties or other reasons, and curbing destabilizing and self-fulfilling speculative activities. In pursuance of the above objective, the Reserve Bank continues to monitor closely the developments in the financial markets at home and abroad, and carefully coordinate its market operations with appropriate monetary, administrative and other measures as considered necessary from time to time.